

Message Text

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PAGE 01 CAIRO 22697 231157Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----002339 231319Z /53

R 231130Z DEC 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3383
INFO AMEMBASSY TEL AVIV

C O N F I D E N T I A L CAIRO 22697

EXDIS

E. O. 11652: GDS
TAGS: ENRG, EG, IS
SUBJ: EGYPTIANS CONSIDER COOPERATION WITH ISRAELIS IN
- GULF OF SUEZ OIL EXPLORATION/PRODUCTION

REF: CAIRO 19813

1. WHILE MEETING WITH MFA LEGAL OFFICER KAMAL BAGHAT ON ADMINISTRATION'S MARINE OIL POLLUTION INITIATIVE DECEMBER 21, ECONOFF WAS ASKED TO GIVE OPINION ON WORKING LEVEL GOE EFFORTS TO PLAN FOR EGYPTIAN/ISRAELI ACCOMMODATION IN EASTERN GULF OF SUEZ FOLLOWING ISRAELI WITHDRAWAL FROM SINAI (MFA ASSUMING CURRENT PEACE EFFORTS WILL SUCCEED). GOE'S FIRST CHOICE CLEARLY WOULD BE FOR ISRAEL TO BECOME COMMERCIAL CONSUMER OF GULF OF SUEZ PRODUCTION, PERHAPS WITH PREFERENTIAL TREATMENT ON PRICING. ECONOFF, EMPHASIZING HE SPEAKING ONLY FOR HIMSELF, POINTED OUT THAT IT MIGHT BE POSSIBLE THAT ISRAELIS WILL TRY TO GET FIRM COMMITMENT FROM EGYPTIANS FOR SOME SORT OF PRODUCTION SHARING, ESPECIALLY AT NEW DISCOVERY (ALMA II), PRIOR TO CONCLUSION PEACE AGREEMENT AND CITED VARIOUS GOI STATEMENTS TO THIS EFFECT.

2. LEGAL OFFICER SAID THEY ARE ALSO LOOKING AT WAYS IN
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WHICH ISRAELIS COULD PARTICIPATE IN FUTURE EXPLORATION/ PRODUCTION IN GULF OF SUEZ. IN THIS CONNECTION, MFA ASKED WHAT CHANCES THERE WOULD BE FOR NEPTUNE (AMERICAN COMPANY CURRENTLY WORKING FOR ISRAEL IN EASTERN GULF OF SUEZ) AND AMOCO TO WORK OUT AGREEMENT FOLLOWING ISRAELI WITHDRAWAL. ECONOFF POINTED OUT THAT NEPTUNE'S PRESENCE IS CONSIDERED BY AMOCO TO VIOLATE VALID INTERNATIONAL AGREEMENT; IT IS

UNLIKELY THAT AMOCO AND NEPTUNE WOULD EASILY COME TO ANY
SORT OF ACCOMMODATION.

3. COMMENT: NEITHER ISRAELIS NOR EGYPTIANS HAVE
MEANS TO PURSUE EXPLORATION/PRODUCTION IN GULF OF SUEZ
WITHOUT PARTICIPATION OF FOREIGN COMPANY. THEY MAY HAVE
DIFFICULT TIME, HOWEVER, FINDING FORMULA ACCEPTABLE TO
AMOCO, WHICH HAS VALID INTERNATIONAL AGREEMENT ALREADY IN
FORCE WITH EGPC. ISRAELIS WILL ALSO HAVE TO DEAL WITH
NEPTUNE.

4. IT IS NOT CLEAR ON WHOSE INSTRUCTIONS MFA LEGAL OFFICER
BAGHAT WAS ACTING, IF ANY. HIS IMMEDIATE SUPERIOR IS MFA
LEGAL ADVISOR NABIL ELARABY, CURRENTLY MEMBER OF EGYPTIAN
CAIRO CONFERENCE DELEGATION, WHO WOULD BE UNLIKELY TO
COMMISSION SUCH STUDY ON HIS OWN. ELARABY'S BOSS IS MFA
UNDERSECRETARY AHMAD OSMAN, WHO IS OPPOSED TO RECENT
HAPPENINGS AND THEREFORE ALSO UNLIKELY TO HAVE INITIATED
SUCH STUDY. THIS LEADS US TO CONCLUDE THAT IT IS PROBABLY
ACTING FOREIGN MINISTER BUTROS GHALI WHO AUTHORIZED STUDY
ON CONTINGENCY BASIS. GHALI HAS TOLD US HE HAS ASKED
STAFF TO BEGIN WORKING ON VARIOUS ASPECTS OF PEACE SETTLE-
MENT AND MFA INTEREST IN GULF OF SUEZ WOULD FIT IN WITH
ATTEMPTS TO DRAW UP GOE POSITIONS ON OUTSTANDING ISSUES.
WILL TRY TO SOUND OUT GHALI AT APPROPRIATE OPPORTUNITY.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OILS, EXPLORATION, PRODUCTION, GULFS
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Dec-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO22697
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
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Litigation History:
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Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 78 CAIRO 19813
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 141338
Secure: OPEN
Status: NATIVE
Subject: EGYPTIANS CONSIDER COOPERATION WITH ISRAELIS IN - GULF OF SUEZ OIL EXPLORATION/PRODUCTION
TAGS: ENRG, EG, IS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/2ec7cafd-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009